

113TH CONGRESS  
1ST SESSION

# H. R. 815

To amend the Internal Revenue Code of 1986 to make certain dividends and distributions paid to individuals from certain small businesses exempt from tax to the extent of the increased wages of the small business.

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## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 25, 2013

Mr. OWENS introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to make certain dividends and distributions paid to individuals from certain small businesses exempt from tax to the extent of the increased wages of the small business.

1       *Be it enacted by the Senate and House of Representa-*

2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. EXEMPTION FOR CERTAIN DISTRIBUTIONS OF**

4              **SMALL BUSINESSES TO EXTENT OF IN-**

5              **CREASED WAGES.**

6       (a) IN GENERAL.—Part III of subchapter B of chap-

7       ter 1 of the Internal Revenue Code of 1986 is amended

8       by inserting before section 140 the following new section:

1   **“SEC. 139F. INCREASED-WAGE DISTRIBUTIONS OF SMALL**  
2                   **BUSINESSES.**

3       “(a) APPLICATION TO CORPORATIONS.—

4               “(1) IN GENERAL.—In the case of a distribution  
5               to an individual from a corporation which is a  
6               small business concern, gross income shall not include  
7               any increased-wage exempt-dividend.

8       “(2) INCREASED-WAGE EXEMPT-DIVIDEND.—

9               For purposes of this subsection—

10              “(A) IN GENERAL.—The term ‘increased-wage  
11               exempt-dividend’ means any dividend  
12               properly designated as an increased-wage  
13               exempt-dividend under subparagraph (B).

14              “(B) DESIGNATION.—A corporation which  
15               is a small business concern may designate any  
16               dividend paid by such corporation as an increased-wage  
17               exempt-dividend to the extent that  
18               the aggregate amount of the dividends so designated  
19               for any taxable year does not exceed the  
20               wage increase amount for such taxable year.

21       “(b) APPLICATION TO PARTNERSHIPS.—

22              “(1) IN GENERAL.—In the case of a distribution  
23               to an individual from a partnership which is a  
24               small business concern—

25               “(A) no gain shall be recognized on any increased-wage  
26               partnership distribution, and

1                 “(B) in the case of an increased-wage part-  
2                 nership distribution with respect to which no  
3                 gain is recognized under section 731(a)(2), no  
4                 reduction shall be made to the adjusted basis to  
5                 the partner of his interest in the partnership  
6                 under section 733(1).

7                 “(2) INCREASED-WAGE PARTNERSHIP DIS-  
8                 TRIBUTION.—For purposes of this subsection—

9                 “(A) IN GENERAL.—The term ‘increased-  
10                 wage partnership distribution’ means any cash  
11                 distribution from the partnership to a partner  
12                 which is properly designated as an increased-  
13                 wage partnership distribution under subpara-  
14                 graph (B).

15                 “(B) DESIGNATION.—A partnership which  
16                 is a small business concern may designate any  
17                 cash distribution as an increased-wage partner-  
18                 ship distribution to the extent that the aggre-  
19                 gate amount of the distributions so designated  
20                 for any taxable year does not exceed the wage  
21                 increase amount for such taxable year.

22                 “(c) WAGE INCREASE AMOUNT.—For purposes of  
23                 this section—

1           “(1) IN GENERAL.—The term ‘wage increase  
2 amount’ means, with respect to any corporation or  
3 partnership for any taxable year, the sum of—

4           “(A) the excess (if any) of—

5               “(i) the aggregate qualified wages  
6 paid or incurred by the corporation or  
7 partnership for such taxable year, over

8               “(ii) the aggregate qualified wages  
9 paid or incurred by the corporation or  
10 partnership for the preceding taxable year,  
11 plus

12           “(B) any increased-wage exempt-dividends  
13 or increased-wage partnership distributions re-  
14 ceived by such corporation or partnership dur-  
15 ing such taxable year.

16           “(2) QUALIFIED WAGES.—The term ‘qualified  
17 wages’ has the meaning which would be given such  
18 term by section 3121(a) if paragraph (1) thereof  
19 were applied by treating the contribution and benefit  
20 base as being equal to \$50,000.

21           “(3) AGGREGATION RULE.—All persons treated  
22 as a single employer under subsection (a) or (b) of  
23 section 52 shall be treated as one person for pur-  
24 poses of this subsection.

1                 “(4) TREATMENT OF PREDECESSORS.—Any  
2 reference in this subsection to a corporation or part-  
3 nership shall include a reference to any predecessor  
4 of such corporation or partnership.

5                 “(d) SMALL BUSINESS CONCERN.—For purposes of  
6 this section, the term ‘small business concern’ has the  
7 meaning given such term by section 3 of the Small Busi-  
8 ness Act.”.

9                 (b) CONFORMING AMENDMENTS.—

10                 (1) Section 1(h)(11)(B)(ii) of such Code is  
11 amended by striking “and” at the end of subclause  
12 (II), by striking the period at the end of subclause  
13 (III) and inserting “, and”, and by adding at the  
14 end the following new subclause:

15                         “(IV) any increased-wage ex-  
16 empt-dividend (as defined in section  
17 139F).”.

18                 (2) The table of sections for part III of sub-  
19 chapter B of chapter 1 of such Code is amended by  
20 inserting before the item relating to section 140 the  
21 following new item:

“Sec. 139F. Increased-wage distributions.”.

22                 (c) EFFECTIVE DATE.—The amendments made by  
23 this section shall apply to taxable years beginning after  
24 December 31, 2012.

